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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of

LifeCare Holdings, Inc. and
LifeCare Management Services, LLC

MUR 5398

Leroy Thompson
John George
Ann George

SENSITIVE

GENERAL COUNSEL'S REPORT #2

I. ACTIONS RECOMMENDED

Accept the attached Conciliation Agreement with LifeCare Holdings, Inc. and LifeCare Management Services, LLC; take no further action as to Leroy Thompson, John George and Ann George; approve the appropriate letters; and close the file as to these respondents.

II. BACKGROUND

This matter originated with a submission to the Commission from LifeCare Holdings, Inc. and its subsidiary, LifeCare Management Services, LLC (referred to collectively as "LifeCare") regarding the possible use of corporate funds to reimburse senior employees for federal political contributions made between 1997 and late 2002.¹ The LifeCare submission reflected the results of an extensive internal investigation that revealed correlations of varying degrees between 1) federal contributions made by certain current and former officers, and 2) various payments in the form of irregular bonuses, unscheduled salary increases and undocumented expense reimbursements authorized by

¹ Mr. LeBlanc, the corporate officer who appears to have been the central figure in authorizing the reimbursements, was terminated by LifeCare in February 2003.

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Mr. LeBlanc. *See* September 11, 2003 Submission. LifeCare and its current employees, including Leroy Thompson, John George and Ann George, have cooperated with the Commission's investigation, and resolved allegations relating to contributions made by the current employee respondents. As indicated in the First GCR, LifeCare did not have complete access to or cooperation from former officers, such as David LeBlanc, his wife Hedy LeBlanc, or Donald Boucher in conducting its internal investigation.

The Commission found reason to believe that LifeCare violated 2 U.S.C. §§ 441b(a) and 441f. The Commission also found reason to believe that former LifeCare President David LeBlanc and former Vice President Donald Boucher knowingly and willfully violated 2 U.S.C. §§ 441b(a) and 441f, and that former LifeCare employees Hedy LeBlanc and current LifeCare employees John George, Ann George and Leroy Thompson each violated 2 U.S.C. § 441f.

LifeCare has been consistently cooperative during the investigation by this Office, and has complied with all requests regarding production of documents and information, resulting in the submission of hundreds of additional documents.

LifeCare's cooperation resulted in this Office saving both time and resources during its investigation.

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17 **III. INFORMATION LEARNED DURING THE INVESTIGATION**

18 **A. Former Officers David LeBlanc, Hedy LeBlanc and Donald Boucher**

19 The core evidence of violations in this MUR remains the unexplained correlation between
20 the political contributions made by former LMS Vice President Donald Boucher,² and to a
21 somewhat lesser extent by former CEO David LeBlanc and his wife Hedy LeBlanc, and

² See Attachment 6, the LifeCare Conciliation Agreement, at Paragraphs 12-17.

1 subsequent reimbursements and bonuses approved by Mr. LeBlanc. Because Mr. and Mrs.
2 LeBlanc and Mr. Boucher have asserted their Fifth Amendment privilege, the evidence may be
3 viewed in the context of the adverse inference that may be drawn as to the unavailability of
4 testimony by the persons with knowledge of the possible reimbursements.

5 David LeBlanc co-founded LifeCare in 1992. Prior to the 1998 recapitalization of the
6 company by outside investors, Mr. LeBlanc and his spouse, Hedy LeBlanc, were two of the
7 principal owners of the company. Following the recapitalization, Mr. LeBlanc retained a
8 substantial financial interest in LifeCare and continued to serve as a member of the company's
9 Board of Directors. From 1992 through February 2003, when he was terminated by the Board,
10 Mr. LeBlanc held the title of President and Chief Executive Officer of LifeCare. David LeBlanc,
11 or his spouse Hedy LeBlanc, made \$45,000 in political contributions in their own names to the
12 federal committees indicated on the dates provided, for which Mr. LeBlanc may have received
13 reimbursement from LifeCare.

14 Donald Boucher served as LMS' Director/Vice President for Government Relations
15 during the applicable period. Mr. Boucher's position was eliminated in early 2003, prior to the
16 internal investigation leading to LifeCare's voluntary disclosure to the Commission. Donald
17 Boucher, or his spouse Beverly Boucher, made \$62,502.24 in political contributions in their own
18 names to the federal committees indicated on the dates provided, for which Mr. Boucher may
19 have received reimbursement.

20 The LeBlancs and Mr. Boucher, who are jointly represented in this matter, did not
21 respond substantively to their notice that the Commission had found reason to believe that they
22 had violated the Act.

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19 Accordingly, this Office anticipates sending General Counsel's Briefs to Donald
20 Boucher, David LeBlanc and Hedy LeBlanc notifying them that the General Counsel is prepared
21 to recommend that the Commission find probable cause to believe that Donald Boucher and

1 David LeBlanc knowingly and willfully violated 2 U.S.C. §§ 441b(a) and 441f and that Hedy
2 LeBlanc violated 2 U.S.C. § 441f.

3 **B. Current Officers Ann George, John George and Leroy Thompson**

4 Current LMS Officers Ann George, John George and Leroy Thompson have cooperated
5 with the Commission's investigation. Mr. and Mrs. George have denied all allegations relating
6 to reimbursement. While Mr. Thompson has stated his belief that he was to receive a
7 reimbursement for at least one contribution, there is no evidence that such a reimbursement was
8 ever made.

9 Ann George co-founded LifeCare in 1992 with David LeBlanc and was also an employee
10 of LMS's Clinical Services Department. Dr. John George is the LMS Senior Vice President for
11 Business Development. Both Dr. and Mrs. George are shareholders of the closely-held company.
12 Between 1997 and 2002, Dr. George's federal political contributions totaled \$11,350 while
13 Mrs. George's contributions during the same time period totaled \$3,500.

14 In sworn affidavits, John and Ann George deny having been reimbursed for any federal
15 political contributions. The Georges also explained that the receipt of a bonus from LifeCare in
16 relative proximity to a particular political contribution actually was tied to a disbursement for a
17 charitable donation that Dr. George had made from personal funds. See Attachment 5. The
18 remaining contributions made by Dr. George and the federal political contribution made by Ann
19 George do not correlate in time to any bonuses received from LifeCare. The investigation has
20 provided no additional information that raises questions as to the accuracy of the sworn affidavits
21 submitted by the Georges or any other evidence of a violation of the Act. Accordingly, this
22 Office recommends the Commission take no further action as to John and Ann George.

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1 Leroy Thompson is LMS's Executive Vice President for Operations. Mr. Thompson
2 made two federal political contributions of \$1,000 each, one in October 2000 and another in
3 August 2001. According to the *sua sponte* submission by LifeCare, "Mr. Thompson stated that
4 he would not have made a contribution of that amount had he not been told by Mr. Boucher that
5 the Company 'would find a way to get it back to you.'" Although Mr. Thompson "does recall
6 being told at some point by Mr. Boucher that he would be reimbursed," there is no evidence that
7 the reimbursement actually occurred or that he was otherwise compensated for the two \$1,000
8 contributions he made. See Attachment 4.

9 Mr. Thompson received a regular annual bonus, but he does not appear to have received
10 any special bonus or unscheduled salary increase/adjustment that correlates in amount or timing
11 with his federal political contributions. Nor do any expense report payments appear to correlate
12 with these two federal political contributions. In addition, Mr. Thompson has been cooperative
13 with the investigation by this Office. Notwithstanding any understanding with Mr. Boucher,
14 there is no evidence of actual reimbursement. Accordingly, this Office recommends the
15 Commission take no further action as to Leroy Thompson and close the file with respect to him.

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8 **IV. CONCLUSION**

9 Because this Office recommends that the Commission take no further action against
10 Leroy Thompson and John and Ann George

11 However, this Office appears to have received complete information from LifeCare
12 in order to make an informed recommendation with respect to them

13
14 Therefore, this Office recommends that the Commission accept the attached
15 signed Conciliation Agreement of LifeCare Holdings, Inc. and LifeCare Management Services,
16 LLC and close the file as to LifeCare.³
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³ As noted above, this MUR will remain open as to Mr. and Mrs. LeBlanc and Mr. Boucher. This Office expects to send General Counsel's Briefs to these individuals within the next few weeks.

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V. GENERAL COUNSEL'S RECOMMENDATIONS


1. Accept the attached signed Conciliation Agreement of LifeCare Holdings, Inc. and LifeCare Management Services, LLC;
2. Take no further action and close the file as to John George and Ann George;
3. Take no further action and close the file as to Leroy Thompson; and
4. Approve the appropriate letters.

Lawrence H. Norton
General Counsel

Rhonda J. Vosdingh
Associate General Counsel

BY:


Mark D. Shonkwiler
Assistant General Counsel


April J. Sands
Attorney

Attachments:

- 1.
- 2.
- 3.
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